

Message Text

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PAGE 01 BUENOS 07301 052141Z

70

ACTION ARA-10

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FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

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PASS TREASURY & EXIMBANK

E.O. 11652: N/A

TAGS: ETRD, EFIN, AR

SUBJ: LATEST CHANGES IN ARGENTINE EXPORT AND IMPORT REGIMES

REF: A) B.A. 5893; B) B.A. 5198; C) B.A. 3700

D) B.A. 4636

1. EFFECTIVE NOV 1, CENTRAL BANK CIRCULAR RC 660 MODIFIED FOREIGN EXCHANGE RATE MIXES FOR CERTAIN EXPORTS AND IMPORTS, RATES WHICH HAVE BEEN IN FORCE SINCE THE LAST DEVALUATION ON SEPT 6 (SEE REFTEL A). OFFICIAL RATE OF EXCHANGE REMAINS PEGGED AT 140 PESOS WHILE THE FREE MARKET RATE CONTINUES TO BE 247 AND 252 PESOS PER DOLLAR, RESPECTIVELY BUYING AND SELLING.

2. AS BEFORE, SUBSIDIZED EXPORTS ON LIST IA ANNEXED TO RC 645 CONTINUE TO BE TRANSACTED AT THE FULL FREE MARKET RATE. ALL OTHER EXPORTS (MAINLY PRIMARY PRODUCTS) WILL NOW RECEIVE A MIXED RATE OF 15 PERCENT OFFICIAL AND 35 PERCENT FREE RATE (PREVIOUSLY 25 AND 75 PERCENT, RESPECTIVELY), WHICH
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BUENOS 07301 052141Z

REPRESENTS AN EFFECTIVE DEVALUATION OF 4.9 PERCENT.

3. IMPORTS IN LIST A ANNEXED TO RC 628 (FUELS AND NEWSPRINT) AND IMPORTED PRODUCTS NOT INCLUDED IN ANY OF THE OTHER LISTS (RAW MATERIALS AND ESSENTIAL INDUSTRIAL INPUTS) NOW RECEIVE A MIXED RATE OF 30 PERCENT OFFICIAL AND 70 PERCENT FREE MARKET RATE (PREVIOUSLY 53 AND 47 PERCENT, RESPECTIVELY), AN EFFECTIVE DEVALUATION OF 13.4 PERCENT. AS BEFORE ALL OTHER IMPORTS AND FIREIGHT AND INSURANCE CONTINUE TO BE PAID ENTIRELY THROUGH THE FREE MARKET RATE. IN ADDITION, RC 600 ENABLES IMPORTERS TO MAKE A CASH PAYMENT OF UP TO 40 PERCENT OF THE FOB VALUE (PREVIOUSLY 30 PERCENT) FOR IMPORTS OF RAW MATERIAL AND LUXURY AND NON-ESSENTIAL ITEMS. THE MINIMUM TERM FOR PAYMENT OF THE BALANCE IS 180 DAYS. CAPITAL GOODS IMPORTS REMAIN SUBJECT TO PAYMENT TERMS OUTLINED IN RC 641 (SEE REFTEL D). ANOTHER RECENTLY ISSUED CENTRAL BANK CIRCULAR RC 658, AUTHORIZES FULL PAYMENT IN 180 DAYS FOR IMPORTS OF CAPITAL GOODS IN LIST ANNEXED TO RC 641 TO BE INCORPORATED IN ANOTHER MANUFACTURED END-PRODUCT (APPROVAL OF SECRETARY OF INDUSTRIAL DEVELOPMENT IS REQUIRED IN THIS CASE, HOWEVER). FURTHERMORE, CIRCULAR RC 659 ELIMINATES MEASURES PROHIBITING LOCAL FINANCIAL INSTITUTIONS FROM PROVIDING CREDIT TO IMPORTERS.

4. CENTRAL BANK CIRCULAR RC 661 INCREASES THE AMOUNT OF FOREIGN EXCHANGE THAT CAN BE PURCHASED BY ARGENTINES TRAVELLING ABROAD TO 500 DOLLARS FOR NEIGHBORING COUNTRIES (PREVIOUSLY \$300) AND TO 2,500 DOLLARS FOR ALL OTHER COUNTRIES (PREVIOUSLY 1,500).

5. COMMENT: THESE LATEST FOREIGN EXCHANGE MODIFICATIONS ARE PROBABLY THE LAST BEFORE THE ADOPTION OF A SINGLE "FREE MARKET" RATE FOR ALL FOREIGN TRANSACTIONS, A GOAL WHICH UNDOUBTEDLY BE REACHED BY YEAR-END. THE FREE MARKET RATE HAS BEEN MAINTAINED AT ROUGHLY 250 PESOS PER DOLLAR SINCE APRIL 1976 THROUGH GOA INTERVENTION. PERIODIC MODIFICATIONS OF THE EXCHANGE RATE MIXES, SUCH AS THIS ONE, HAVE HELPED SOME EXPORTERS COMPENSATE FOR RISING COST DUE TO INFLATION. PROMOTED EXPORTS (MAINLY MANUFACTURES), HOWEVER, HAVE BEEN USING THE FREE MARKET RATE SINCE JUL 29 AND HAVE NOT BENEFITTED FROM CHANGES IN EFFECTIVE RATES OF EXCHANGE.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BUENOS 07301 052141Z

SINCE THERE IS LITTLE PROSPECT THAT "FREE MARKET" RATE WILL BE DEVALUED SOON, EXPORTERS ARE PRESSING FOR AN INCREASE IN THE SUBSIDIES FOR PROMPTED EXPORTS.

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